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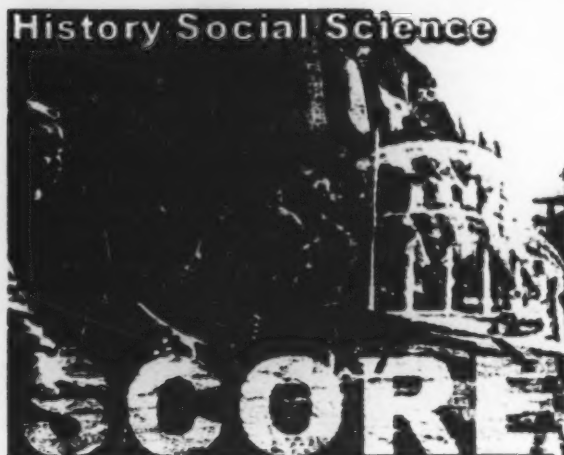
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ABSTRACT

This grade 12 lesson provides students with an understanding of real world investing and of the effects of day to day decisions on their financial futures. The lesson is based on a fictitious situation in which a financial management consultant (the student) must help a new widow with young children put her finances in order after her husband's death. Students are provided with background information, detailed instructions, on-line resources, and reflection questions. The teacher's notes describe the unit's purpose, its correlation to history/social science and language arts standards, and adaptations for special needs students. (BT)



**Schools of California
Online Resources for
Education (SCORE):
Connecting California's
Classrooms to the
World**

DECISIONS, DECISIONS

12th Grade Lesson by David R. MacDonald

SCORE

**San Bernardino County Superintendent of Schools
601 North E. Street
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Decisions, Decisions



As a recent graduate of business school, you know the importance of being able to not only make a dollar, but to stretch one dollar into two. After years of toiling at the feet of master money managers, you have decided to strike out on your own and open your own financial management consulting firm. Your plan is to offer a variety of financial advice, ranging from stocks and bonds to the ever-popular mutual funds. As you are well aware, the only way for you to make money is for your clients to make money. With every client comes two important decisions, their decision to trust you with their money and your decision to trust yourself with

their money. No matter how you look at it, you have just got to make good decisions.

Monday morning finds you a little groggy as you try and leave the weekend behind and get on with your first week on your own. As you read the morning paper, you inadvertently turn to the obituary section where you read of Bob Jones, young business executive not unlike yourself, who lost his life in an untimely boating accident. He has left behind a young wife, Mary Jones and three young children. You shake your head and begin to wonder how this young mother will be able to provide for the children and give them the same opportunities they would have had if their father had not died. Just then the phone rings, and as luck would have it, Mary Jones is on the phone seeking your advice. She remarks that she got your name from a friend of a friend. After all the pleasantries are finished she begins to tell you her story. She is up to her neck in bills and has a heavy mortgage to boot. Fortunately her husband had a large life insurance policy (\$500K) and the check should be arriving any day. She wants to know how she should invest it. Here is the scary part. Mrs. Jones wants you to invest it for her.

Being a good financial counselor, you ask some more probing questions and find these answers.

- She can not work. Her youngest daughter has a medical condition, which requires constant attention, leaving her unable to get a job.
- Her mortgage is \$250,000 on a five bedroom, 3-bath home on a golf course.
- She has two checking accounts and one savings totaling only \$3800.00.
- Her husband had a 401k account with \$35,000.00 in it, which she can draw on.
- Her medical insurance through her husband's work will only provide her and the children coverage for six more months, at which time she must get her own coverage.
- She has two cars (Suburban, Saab), both financed with three years remaining on each.
- She hasn't a clue of what to do or where to start. What are you going to do? The lives of four people are literally within your grasp. She wants you to straighten out her financial problems, and in doing so, replace her pain with providence. As you straighten your desk, you tell her firmly that while you can not replace her husband, you can replace his income. After you agree to help her, she tearfully hangs up the phone placing her family financial future in your hands.

What do you do next?

The Task

It is your job to patch up this sinking ship so Mrs. Jones and her young kids won't drown in a sea of debt. As a good financial analyst, you know that in order to do this you must examine her whole situation. Basically you must make \$500,000 to:

- Provide an income
- Provide for college for the kids
- Reduce her current debt load
- Purchase health insurance
- Allow her to remain in her home and lead a lifestyle as similar as possible to life before Mr. Jones died.

In order to accomplish this you will have to make some very wise decisions and recommendations for leading her out of her financial difficulty. Be prepared to give your findings to your client in an oral presentation and a written summary detailing the investment decisions you have made on her behalf.

The Process

In either a group or as an individual, you are going to prepare a financial plan for your client and her children. In order to accomplish this, you need to do a vast amount of research regarding an efficient, risk-free plan allowing her financial goals to be met. If you are working in a group, divide the research into topics such as:

- Stocks and Bonds
- Mutual Funds
- Insurance
- Certificates of Deposit
- Treasury Notes
- Money Market Funds

Keep in mind it is your job to invest her money, reduce her debt, provide for a college fund and provide a monthly income. How you go about doing this and the services you provide are uniquely yours and yours alone. As an independent financial consultant, it is up to you to come up with the best monetary policy for your client.

Resources

You will find a wealth of financial information on the Internet related to your goals and objectives. A few reminders and hints are in order when evaluating financial information found on the Internet:

1. Consider the source
 - a. who are they?
 - b. how long have they been in business?
 - c. what do they sell?
2. Past performance does not guarantee a successful future.
3. A fool and his money are soon parted.

Personal Finance by Quicken

<http://quicken.aol.com/>

Edgar Database of Corporate Information

<http://www.sec.gov/edgarhp.htm>

Insurance and Retirement Planning

<http://www.e-analytics.com/insdir.htm>

Certificates of Deposit

<http://www.cccu.com/savechec/cd.html>

Treasury Certificates

<http://www.strong-funds.com/strong/LearningCenter/treasuries.htm>

Money Market Funds

http://www.vanguard.com/educ/module1/m1_2_0.html

Learning Advice

In the case of financial planning the sum is definitely greater than the parts. Each piece of a financial plan should fit well with the next. The old adage your grandparents told you about putting all your eggs in one basket is pretty sound advice. You need to lessen your client's exposure to risk while at the same time increasing her net worth. When you have completed your plan, be prepared to present it to your client both orally and on paper. Also, remember that she will probably need help understanding it all, so be prepared to explain all, your decisions.

Evaluation

You will be assessed on the thoroughness of your research and the plausibility of your financial plan. While there is no way to predict the future, your past research and presentation should provide a sound path for the future.

Conclusion

Answer the questions provided as another form of evaluation.

- How could you apply what you have learned to your own financial future?
 - If you had a million dollars of your own money to invest, how would you invest it?
-

Teacher Notes

Grade/Unit

Grade - 12 Money and Banking

Lesson Purpose

To provide an understanding for your students about real world investing and the effects of day to day decisions on their financial futures.

Standards

History-Social Science Grade 12: Students explain the elements of the United State market economy in a global setting by 1) explaining the process by which competition among buyers and sellers determines the market clearing price 2) predicting the effect of changes in supply and/or demand on the relative scarcity, price and quantity of particular products 3) explaining the role of competitions in a market economy in terms of goods and services produced...and the price of those products, and 4) explaining the functions of the stock market.

Language Arts Grades 11/12 Reading Comprehension: Students read and understand grade-level-appropriate materials by verifying and clarifying facts presented in expository texts by using a variety of consumer, workplace and public documents. Writing Applications: Students write historical investigations that include information from all relevant perspectives, taking the validity and reliability of sources into consideration.

Length of Lesson

One to three weeks depending on the amount of research and the availability of computers/internet access.

Materials Needed

Internet access is a must and it would help for the teacher to have business sections of newspapers available to students. It might also help to bring in an outside expert such as a Financial Planner and arrange for him/her to address the same scenario or one similar to it to give the students an idea of how to apply the information.

Adaptations for Special Needs Students

It would help some students to expose them to a variety of financial planning software available as freeware on the Internet. This will help to level the playing field of those students who have not been exposed to a financial background.

Allow for more time for research. Not every student will have access to the internet at home and will be forced to work at school exclusively. Modify the lesson. Take away or add depending on what you think is appropriate.

Extensions

As an extension activity or as a sidelight, you could have your students play a simulation stock market game. One developed by students for students is found at <http://tqd.advanced.org/3088/>

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